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## **The integrating role of private homeownership and mortgage credit in British neoliberalism**

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### **Abstract**

*The financialisation of the British economy has occurred in part due to the deregulation of the financial sector by the Thatcher government, which was necessary to support their drive to widen access to private housing. However, explaining how the macroeconomic effects of increased homeownership and mortgage credit under the Thatcher government can be more concretely linked to the micro-foundations of the economy and subject formation remains an under-explored research area. This paper contributes to such research through the use of Foucault's theory of morality to explain how the Thatcher government promoted an ethics-oriented morality that transformed private homeownership into a dominant social norm and established a mortgage-led accumulation regime in Britain. Additionally, the widespread acceptance of private homeownership subjected the British public to the disciplinary rules-oriented morality of mortgage finance, which integrated a previously fractured social base into a functioning social formation under British neoliberalism.*

The variant of neoliberalism introduced by the Thatcher government has been widely considered the dominant force in shaping the political economy of Britain since the 1970s (Hall, 2005; Peck, 2013). Neoliberalism may be understood 'as a governing economic paradigm' that emerged in the late 1970s, and the increasing dominance of the financial sector has been identified as a constituent part of the process of neoliberalisation (Hay, 2004; Duménil and Lévy, 2001). The financialisation of the British economy occurred after a series of deregulation measures were introduced by the Thatcher government, which re-established Britain as one of the predominant sites of global finance (Moran, 1991). The rise to prominence of the financial sector cannot be reduced to 'high finance' operating above other sectors, it is rather that finance has come to permeate other parts of the economy, most notably in the everyday life of wage-earners in British society through their

widespread engagement with financial services (Froud et al, 2002). Although the increased micro-level interactions with the financial services sector has established a finance-led accumulation regime in Britain (e.g. Stockhammer, 2008), International Political Economy scholars have been criticised for their failure to recognise how such a ‘macro-regime directly influences the micro-foundations of the economy and the outcomes we observe’, which is where this paper seeks to make an original contribution (Blyth and Matthijs, 2017, 220).

The Thatcher government deregulated mortgage credit in Britain to widen access to private homeownership after passing the 'Right to Buy' (RTB) programme. The increase in mortgage debt in the British economy since 1979, when Thatcher took office, has been identified quantitatively as a mode of capital accumulation (Wood, 2017). Additionally, the exposure to mortgage debt has been linked to the role of subject formation, as borrowers can change their behaviour to meet the perceived requirements of the lender (Langley, 2014). These links between homeownership and mortgage credit to systems of capital accumulation and subject formation suggest they may be considered part of a post-Fordist mode of capitalist regulation (cf Aglietta, 1979). This has been explored in part through the financialisation of the British economy from the election of New Labour onwards, who used mortgage credit as part of a system of asset-based welfare to stimulate the economy via House-Price Keynesianism that also created investor subjects out of homeowners (Watson, 2010). Although New Labour have reproduced many of the Thatcherite neoliberal policies (e.g. Hall, 2005), explaining how the macroeconomic effects of increased homeownership and mortgage credit under the Thatcher government can be more concretely linked to the micro-foundations of the economy and subject formation remains an under-explored research area. Therefore, this paper explores the hypothesis as to whether the deregulation of mortgage credit by the Thatcher government established a mortgage-led post-Fordist capital accumulation regime that regulated individual behaviour, which may have been reproduced by the British governments that succeeded it.

This been assessed through a case study analysis of Britain between 1979 and 1990, whilst Margret Thatcher was in office, as there is *prima facie* evidence that her Conservative government oversaw the deregulation of mortgage credit and a significant increase in private homeownership, which may have redirected capital towards the financial sector and influenced the behaviour of mortgage holders. The paper uses process tracing to explore Foucault's (1985) theory of morality as applied to the case, and the results of this analysis suggest the Thatcher government's promotion

of private housing constituted an ethics-oriented morality, which transformed private homeownership into a dominant social norm and established a mortgage-led accumulation regime in Britain. Additionally, the widespread acceptance of private homeownership subjected the British public to the disciplinary rules-oriented morality of mortgage finance, which reproduced the demand for owner-occupied housing and stable employment, integrating the public into the paradigm of British neoliberalism. The remainder of this paper is structured as follows: The first section will outline the relevant literature pertaining to the role of private homeownership in British neoliberalism, whilst the second section will formally outline Foucault's (1985) theory of morality and link it to Jessop's (2008; 2016) Strategic Relational Approach to state theory. The third section will briefly outline the method of process tracing used in this analysis. The fourth section marks the empirical analysis of this paper, and provide an examination of the ethics-oriented morality of private housing promoted by the Thatcher government, whilst the fifth and sixth sections examine how this established a mode of capital accumulation and a disciplinary rules-oriented morality in Britain respectively.

### **The Role of Homeownership in British Neoliberalism**

There has been significant research to suggest the Thatcher government sought to reproduce the conditions for capital accumulation at the expense of wages, as part of a wider process of neoliberalisation (Leys, 1985; Jessop et al. 1985; Harvey, 2007). Although such an analysis is widely acknowledged within Marxist political economy, many explanations of how the Thatcher government could achieve such an outcome are much less well defined. The British public are considered to have a strong preference for owner-occupied housing, and the privatisation of housing that occurred through the RTB programme has been identified as a foundational component of Thatcherite hegemony (Schwartz and Seabrooke, 2008; Hay, 1992). Widening access to private property ownership, specifically homeownership, has been considered a long-term strategy for the Conservative Party to generate bottom-up support for their vision of liberal capitalism over the socialism offered by the Labour Party (e.g. Churchill, 1884). However, homeownership may not necessarily be considered an independent social norm in the Weberian sense (cf Schwartz, 2012), as several British governments throughout the twentieth century have intervened to promote policies directed at normalising demand for private housing (Francis, 2012).

Housing tenure preferences are culturally embedded and are socially constructed, which can be linked to the work of Bauman (1998) and Bourdieu (1984) that emphasises how housing consumption choices play an important role in both ‘social characterisation and classification’ (Forrest and Murie, 1990; Rowlands and Gurney, 2001, 123). In Britain, the poorest (or unsuccessful) in society have been associated with social housing, whilst private homeowners are considered the wealthiest (or successful) in society (Rowlands and Gurney, 2001). Such a cleavage between housing tenures can also be related to the political preferences of the British public, as the Conservatives have long-been supported by property-owners, whilst Labour has traditionally been supported by working class social tenants (Dorling et al, 1999). Homeownership has been considered a means of shifting political and economic preferences towards conservative policies, as private ‘housing markets induce people to prefer a politics hostile to inflation and increases in tax funded collective services’ (Schwartz, 2008, 263; Kemeny, 2005; Castles, 2005). Members of the Thatcher government thought the privatisation of social housing could influence political attitudes and voter preferences, which has led to suggestions that private homeownership was used by the Thatcher government to align working class interests with the Conservative party (Gow, 1979; Ginsburg, 1983). However, such a view suggests homeownership can be reduced to a transformative instrument of class power, which is overly structurally deterministic and fails to sufficiently account for the important role of individual agency (Dorling, 2001).

The socialising function of private homeownership has been further explored through Foucauldian scholarship, which identifies the important normalising process that associates owner-occupied housing with a set of positive values (Gurney, 1999). Private homeownership has been linked to the role of subject formation through the creation of ‘suburban subjects’, which has ‘features of liberal subjectivity’, summarised as: ‘Individualising: this is mine, I bought it, it is for my personal use. Normalising: I am a home owner, a responsible citizen, a person of property’ (Langley, 2007, 290; Grey, 1997, 49). Furthermore, ‘responsible home-owners are distinguished here from their Other: those irresponsible and irrational individuals who spend “dead money” on rent and fail to get “a foot on the property ladder”’ (Langley, 2007, 290). The understanding of homeownership in positive terms associates it with a set of values related to ‘being good citizens’, which simultaneously creates an ‘unnatural’ group out of non-homeowners, who are subject to a disciplinary and ‘normalising judgement’ of humiliation and ‘being abnormal’ (Gurney, 1999, 178). Therefore, social and private renters are disciplined to become private homeowners.

Although such an explanation makes a significant contribution by identifying the role of private homeownership as a mode of behaviour regulation in British neoliberalism, it fails to sufficiently explain important linkages between housing and capital accumulation, and is open to criticisms of excessive structuralism.

The privatisation of housing has been considered a key strategy to facilitate the ‘recapitalisation of capital’ in Britain (Hodkinson and Robbins, 2013, 61). Here there is a link to the British variant of neoliberalism, which is based on a debt-led model of economic growth (Stockhammer, 2016). More concretely, mortgage credit has been identified as a mode of capital accumulation in Britain between 1979 and 2012, and taking on mortgage debt can discipline borrowers to meet their repayment obligations (Wood, 2017; Langley, 2014). The identification of mortgage credit and housing as a means of capital accumulation and behaviour regulation can be related to the Marxist Regulation School, which distinguishes between the generation of value through a capital accumulation regime, how value is distributed, and the behaviours and social relations reproduced by the regime (Aglietta, 1979; Boyer, 2005). However, the regulation school may be considered a structurally deterministic top-down approach to explain the political implementation of the socialising functions of economic regulation, marginalising individual agency (Jessop, 1995, 316). Therefore, similarly to Blyth and Matthijs (2017, 208) this paper is influenced by the Regulation School, but does not use its theoretical framework.

Capital accumulation has been related to individual agency through private homeownership using Foucauldian governmentalities in analyses of housing in neoliberal Britain (Finlayson, 2009; Watson, 2010). New Labour extended the primacy placed on homeownership by the Thatcher government by emphasising the private home as a source of financial security that could pay for recommodified welfare services no longer provided by the state (Finlayson, 2009, 400). This shift to asset-based welfare under New Labour created uncertainty about the future provision of welfare services, which encouraged a ‘generalised economic subject to emerge under conditions of neoliberal governmentality’ (Watson, 2010, 418). Therefore, ‘individual investor subjects have the choice of how to position themselves with respect to the housing market, say, in their efforts to accumulate assets’ to pay for future welfare services (Watson, 2010, 424). The importance of the home as a financial asset in neoliberal Britain acts as a motivation to purchase a home, leveraged using mortgage debt, which drives a vast amount of capital towards the financial sector as part of a system of either Privatised (Crouch, 2009) or House-Price Keynesianism (Watson, 2010).

Although the analysis of Watson (2010) makes a significant contribution by linking private housing to both a mode of capital accumulation and subject formation in Britain using Foucauldian governmentalities, the analysis of neoliberal Britain is limited to the New Labour government onwards, and fails to examine the foundations of neoliberalism laid by the Thatcher government.

New Labour have been considered to have continued many of the neoliberal policies implemented by the Thatcher government (Hall, 2005). Yet there has been an insufficient examination as to whether the Thatcher government promotion of private housing could be considered a governmentality that established a mode of capitalist regulation, which accumulated capital and regulated homeowner behaviour. Although the use of governmentalities is widespread across many disciplines, Foucault 'was inconsistent in his use of the term', which poses a challenge when deploying the concept as a means of analysis (Collier, 2009, 98). Such inconsistencies have resulted in the development of many competing definitions and uses of the governmentality term by post-Foucauldian scholars, who have attempted to reformulate the concept into a more comprehensive theory (Lemke, 2001; Rose and Miller, 2010; Collier, 2009; Dean, 2002). However, there has not been a definitive definition of the term that is widely accepted in post-Foucauldian scholarship, suggesting the issues regarding Foucault's inconsistent use of the concept have not been overcome (Hilgers, 2013, 83). Subsequently, this paper will use Foucault's (1985, 25-32) theory of morality as an alternative to Foucauldian governmentalities to account for the causes and effects of the increased distribution of mortgage credit in Britain as it relates to individual behaviour.

### **Foucauldian Morality**

Foucault (1985) developed the theory of morality to describe how individuals are influenced to understand themselves in relation to external influences, and how this can lead to behavioural changes. The morality of a social phenomenon consists of two specific elements; 'codes of behaviour and forms of subjectivation' (Foucault, 1985, 29). Codes of behaviour refer to 'systems of rules and values that are operative in a given society or group, the agencies or mechanisms of constraint that enforce them, the forms they take in their multifariousness, their divergences and their contradictions' (Foucault, 1985, 29). Whilst the forms of subjectivation can be understood as 'the way in which individuals are urged to constitute themselves as subjects of moral conduct...

for setting up and developing relationships with the self, for self-reflection, self-knowledge, self-examination, for the decipherment of the self by oneself, for the transformations that one seeks to accomplish with oneself as object' (Foucault, 1985, 29). Specific moralities can either place a greater emphasis on the codes of behaviour or the forms of subjectivation, but these two constituent parts of any morality are always present and intertwined (Foucault, 1985, 29).

Rules-oriented moralities place an emphasis on codes of behaviour, which provides a motivation to examine the forms of authority that promote and enforce the code that can also penalise infractions of the code (Foucault, 1985, 29). Here subjectivation occurs through 'quasi-judicial' forms, where the individual subject relates his behaviour to a law 'to which he must submit at the risk of committing offences that may make him liable to punishment' (Foucault, 1985, 29-30). Moralities emphasising codes of behaviour can be linked to the disciplinary mechanisms that emerge from external sources as well as internalisations of expected behaviour (Foucault, 1977). Therefore, the individual subjected to a rules-oriented morality will adhere to the disciplinary mechanisms imbued in that morality to avoid exposure to a punishment, as well as the negative understanding of oneself as being a deviant from those behavioural rules. Alternatively, there are ethics-oriented moralities that contain a set of values associated with specific behaviours, yet there are no significant punishments for deviations from such values or behaviours (Foucault, 1985, 30). Ethics-oriented moralities rather emphasise forms of subjectivation, which place primacy on 'forms of relations with the self, on the methods and techniques by which he works them out, ... and on the practices that enable him to transform his own mode of being' (Foucault, 1985, 30). Therefore, the individual subjected to an ethics-oriented morality will choose to adhere to a set of behavioural rules to understand themselves in line with the positive values promoted by the morality, and avoid the negative understanding of themselves as being a deviant other. As individuals are subjected to moralities emerging from external sources, both types of moralities can be understood as power relations that are deployed from a variety of different sites and actors, and subjected upon individuals who are the target of the morality (Foucault, 1985, 25-26). Subsequently, the successful adoption of either form of morality can be evaluated by the 'degree of conformity with or divergence from' the values and behaviours associated with the morality individuals are subjected to (Foucault, 1985, 26).

This paper seeks to examine the morality of private homeownership deployed by the Thatcher government, as an authority, onto the British public, however, such an analysis is beyond



the use of a purely Foucauldian framework, as Foucault did not produce a comprehensive analysis of the state (Lemke, 2007). To address this issue, Jessop's (2008; 2016) Strategic Relational Approach (SRA) to state theory has been used, as it is congruent with a Foucauldian framework in terms of understanding how incentives (i.e. positive subjectivities) and disciplinary mechanisms can be deployed by the state to influence individual behaviour (Jessop, 2007; 2016). According to the SRA, the state itself may be reduced to a set of institutions designed to implement legislative policy decisions and are unable to exercise power of their own (Jessop, 1982, 211). Competing hegemonic visions attempt to secure control over the state apparatus, which involves the amalgamation of different economic, political and ideological factions into accepting a hegemonic vision that manufactures a relative unity of antagonistic social forces into a functioning social formation (Jessop, 2016, 58). In democratic capitalist states, institutional responsibility is linked to democratic accountability, and the power of the state is bound by the need to navigate complex domestic social relations, which are composed of both class and non-class entities that reflect the dynamic nature of social forces within a given polity, and must be legitimised through the political process (Jessop, 1982, 211; 2016, 64-70). Within a parliamentary system such as Britain, the objectives of the hegemonic vision in control of the state may be linked to the desire to regulate a social, political or economic relation in favour of a certain faction of that relation, which exists beyond the state (Foucault, 1979, 89; Jessop, 2016, 64-70). Therefore, in Marxist terms, the SRA suggests states may only be considered capitalist to the extent in which the state facilitates and reproduces the conditions for capital accumulation (Jessop, 1982, 211).

Modes of intervention can be linked to the ability of the state to delineate what constitutes the domains of public state activity and private non-state activity (Jessop, 2016, 70). These modes of intervention can also be thought of as the various macro and micro mechanisms of power used by the state to intervene in both domains, in terms of both incentives and disciplinary mechanisms (Jessop, 2016, 70). The SRA uses a concept similar to Mann's (1988) infrastructural power to define the macro capabilities of the state, which permeate wider society and organise social relations in line with the desire to implement specific policy decisions (Jessop, 2016, 70). The analysis of the micro mechanisms of power can be linked to the Foucauldian micro-physics of power, which can take different forms in different institutional sites of power (Jessop, 2008, 148). Although many analyses of Foucault's micro-physics of power use governmentalities, this paper will use Foucault's (1985) theory of morality in conjunction with Jessop's (2008; 2016) SRA, as

a means to identify the rules-oriented and ethics-oriented moralities associated with the housing and mortgage policies of the Thatcher government, deployed and communicated by the state. It is important to emphasise that the policies implemented by the state are the communications, as they contain their own morality, which simultaneously establishes both codes of behaviour and the forms of subjectivation related to the policy.

### **Tracing the Process of Neoliberalisation**

The analysis of this paper is based on a Critical Realist ontological and epistemological framework, which is compatible with both the SRA and Foucauldian analyses (Jessop, 2005; Joseph, 2004). The method of process tracing is commonly deployed in qualitative Critical Realist analyses, and was used in this paper to establish whether there is a causal chain of events, as well as mechanisms within that chain, that surround the role of private housing and mortgage credit in the Neoliberalisation of Britain (Trampusch and Palier, 2016; Hall, 2013). Process tracing can also be used to examine temporally sequential historical events, where each event may be considered a key node that links causes and effects between other variables and events (George and Bennett, 2005, 300). Furthermore, process tracing allows causal mechanisms to be more fully articulated as ‘a system of interlocking parts that transmits causal forces between a cause (or a set of causes) and an outcome’, which goes beyond an examination of sequential events (Beach, 2016, 3).

Critiques of process tracing have focused on two specific issues: first, the detailed analysis of process tracing can lead to an ‘infinite regress’ of examining multiple causal nodes between variables (King et al, 1994, 86); and second, such small-n studies suffer from a ‘degrees of freedom’ problem (Bennett, 2010, 180). However, both issues can be addressed by acknowledging that the data collected from a single case can contain ‘many salient pieces of evidence’, where even a single piece of evidence is sufficient ‘to strongly affirm one explanation and/or disconfirm others’ in terms of identifying or rejecting causal mechanisms (Bennett, 2010, 180). There have also been valid criticisms as to whether the use of process tracing is always understood by researchers claiming to use it as a method, and whether it is implemented correctly or legitimately (Hay, 2016). Process tracing is required when a credible mechanism must be identified or produced to explain a specific outcome, where the credibility of the causal mechanism can only be established through empirical research (Hay, 2016, 503). This paper has sought to adhere to Hay’s

(2016) definition of legitimacy by attempting to distinguish the causal mechanism behind the observed increase in private homeownership since the Thatcher government, and whether that is linked to the identification of mortgage credit as a specific mechanism of capital accumulation in Britain, as well as its role in subject formation (Wood, 2017; Langley, 2014).

Semi-structured interviews with policy-making elites and documents obtained from secondary sources were the main sources of data collected for this analysis. Interviews were used to obtain an understanding of the worldview of those influential in the development of policy measures relating to housing and mortgage finance in Britain under the Thatcher government. Semi-structured interviews are particularly useful when seeking the worldview of policy making elites, as the use of open-ended questions provides the respondent with an opportunity to fully articulate their response and bequeath their expertise (Aberbach and Rockman, 2002). Gaining interviews with policy-making elites with experience in housing and mortgage policy proved incredibly difficult, therefore, document analysis was used to supplement the limited data obtained from the elite interviews. Documents may be considered any form of textual information or discursive communication, which also included transcripts of speeches or interviews from members of the Thatcher government (George and Bennett, 2005, 145). Most of the document data was collected from books and academic journals, as well as British government archives and statistics offices. Grounded theory is commonly used in qualitative document analysis, and can be described as ‘a systematic inductive, comparative, and interactive approach to inquiry and offers several open-ended strategies for conducting emergent inquiry’ (Yin, 2011; Charmaz, 2008, 156). Although grounded theory has been used in Critical Realist studies to analyse and code the data (e.g. Oliver, 2012), it may not be considered compatible with a Critical Realist framework, as ‘it avoids active engagement with existing theory during the analysis process’, and grounded theory is inductive, rather than retroductive (Fletcher, 2017, 186). Therefore, in line with a Critical Realist framework, this analysis used document analysis to evaluate the Foucauldian theory of morality outlined in the previous section.

The data from the documents and interviews were analysed in terms of content, and organised into categories related to the policy formulation decisions surrounding private housing and mortgage finance in Britain under Thatcher. The initial coding process sorted the data into two categories: organisational codes, which are broad topic-related codes, and theoretical codes related to Foucauldian morality (Maxwell, 2012). The documents were analysed using the Nvivo software

package, which is commonly used in qualitative social science research, and were coded in a hierarchical array from the most concrete to the most abstract concepts (Yin, 2011, 191-192). The most concrete concepts pertained to specific government policy areas, such as housing policy, mortgage policy and deregulation (level 1). The more abstract concepts related to capital accumulation/economic growth (level 2); structure and agency (level 3); and Foucauldian moralities (level 4). Organising the document data in this format allowed for patterns in the qualitative data to be observed, which were subsequently organised based on the tenets of process tracing.

### **The Ethics-Oriented Morality of Private Homeownership in Britain**

The 1979 Conservative election manifesto promoted the Conservative Party's long-term commitment to establishing a property-owning democracy, with the stated aim of allowing 'more people to have the security and satisfaction of owning property' that 'means first and foremost a home of their own' (Francis 2012, 276; Conservative Party 1979). As part of the Housing Act of 1980, the 'Right to Buy' (RTB) programme was one of the first major pieces of legislation passed by the Thatcher government, and was considered 'by far the most radical pledge' in the 1979 Conservative general election manifesto (Heseltine, 2000, 194). The RTB programme allowed social housing tenants to become private homeowners by providing them with the statutory right to purchase the freehold of their house, or a long leasehold on their flat, that they rented from their local council (Balchin and Rhoden, 2002, 188). Long-term sitting tenants were offered a range of steep discounts on the purchase price of council-owned properties, as an incentive to switch housing tenures from being social renters to becoming private owner-occupiers (Balchin and Rhoden, 2002, 188). Therefore, the RTB can be considered 'an end to itself', implemented to increase access to private owner-occupied housing at the expense of social housing (Jones and Murie, 2008, 33).

The Thatcher government promoted an ideational value structure related to specific housing tenures by describing social housing in strongly negative terms, such as helplessness: 'we are reaching a situation where a large and growing proportion of the labour force and possibly a majority of manual workers are treated as though they were unable to house themselves without State assistance' (Thatcher, 1974a, paragraph 3). The negative role of the state was often referred

to in the Thatcher government discursive communication surrounding social housing, as council tenants were described as being subjected to the ‘oppressive’ mechanisms of state housing provision and the ‘whims’ of government officials (Hamnett 1987, 217; Francis 2012, 294). Additionally, the state was described as a hindrance to the demands of social tenants: ‘Many families who live on council estates and in new towns would like to buy their own homes but either cannot afford to or are prevented by the local authorities or the Labour Government’ (Conservative Party, 1979, quoted in Jones and Murie, 2008, 33).

Alternatively, owner-occupied housing was described in overwhelmingly positive terms by the Thatcher government. The Conservatives repeatedly invoked a spirit of political, physical and financial independence, as well as security for the private homeowner and their families (Francis 2012, 294). For example, Thatcher (1974b, paragraph 2) stated that ‘home ownership gives people independence and a stake in their country’ and owning property ‘will give more of our people that freedom and mobility and that prospect of handing something on to their children and grandchildren which owner occupation provides’ (Thatcher, quoted in Hamnett 1999, 53-54). Additionally, Michael Heseltine, the Environment Secretary responsible for housing policy in the Thatcher government, stated: ‘Home ownership stimulates the attitudes of independence and self-reliance that are the bedrock of a free society’ (Moore, 2014, paragraph 2). A similar sentiment was echoed by Thatcher’s second minister of housing, Ian Gow: ‘We should set no limit to the opportunity for owner occupation in Britain. In those societies where property is widely owned freedom flourishes’ (Gow 1985, quoted in Hamnett, 1987, 217). Overall, it was thought that expanding homeownership was considered ‘one of the most important things’ the Thatcher government could do to distribute wealth and property ownership among the British public (Heseltine, 1978, 1). The positive understanding of private homeownership promoted by the Thatcher government can be summarised in a key phrase from a Conservative political party broadcast, which asked ‘what could be more Utopia (sic) than the working man owning his own home?’ (Conservative Party, 1974, paragraph 10). The Thatcher government repeatedly promoted the benefits of private housing in terms of financial and physical security, as well as independence, which have remained common understandings of homeownership in contemporary Britain (Stanley, 2014). The positive values of private homeownership promoted by the Thatcher government through the RTB policy, in comparison to the negative values ascribed to social housing, may be considered a form of subjectivation that encouraged social tenants to understand

themselves, and the Labour Government, negatively in relation to the social housing tenure they currently accessed, whilst providing them with a positive rational logic of incentives to become private homeowners, and support a Conservative government that would enable such an aspiration (Rowlands and Gurney, 2001).

The positive promotion of private homeownership by the Thatcher government may be considered an ethics-oriented morality, which reinforced a series of subjectivities that influence the individual's understanding of themselves in relation to the specific housing tenure they occupy. These subjectivities of private homeownership promoted by the Thatcher government also contained specific rules of behaviour, as individuals were required to purchase a home in order to understand themselves positively in relation to their housing tenure, or understand themselves negatively if they inhabit a property as a non-owner-occupier. The success of the ethics-oriented morality surrounding different housing tenures promoted by the Thatcher government can be seen in the changing aspirational demand for private and social housing in Britain since Thatcher took office. When Thatcher became leader of the Conservative Party in 1975, owner-occupied housing was considered the preferred housing tenure by 51 per cent of the public, with 32 per cent of the public preferring social housing (Pannell, 2012, 10). Yet by 1991, after Thatcher left office, the aspirational demand for private homeownership had increased to 77 per cent of the British public, whilst those preferring social housing declined to 13 per cent (Pannell, 2012, 10). The demand to access housing in non-ownership tenures suggests the ethics-based morality of private homeownership cannot be reduced to a disciplinary structure that compels individuals to own their own home (e.g. Gurney, 1999), it merely provides a rationale to do so.

The successful adoption of the positive values associated with the ethics-oriented morality of private housing can also be seen in a behavioural change in the British public, as there was an increase in the rate private owner-occupied housing under the Thatcher government. In 1979, there were approximately 11.5 million owner-occupied households, which increased to just over 15 million in 1990 and corresponded to an increase in the owner-occupation rate from 55.5 per cent in 1980 to 65.8 per cent in 1990 (ONS, 2017; DCLG, 2017). The increase in owner-occupied housing was largely at the expense of social housing, which decreased from 33.0 per cent to 24.9 per cent during this same time period (DCLG, 2017). The changes in the aspirational demand for private homeownership, as well as the associated behavioural change that saw an increase in the number of homeowners in Britain, suggests there has been a strong degree of acceptance of the

ethics-oriented morality of private homeownership promoted by Thatcher government.

### **Britain's Mortgage-Led Accumulation Regime**

Although the aspirational demand for private homeownership was encouraged by the positive understanding of owner-occupied housing promoted by the Thatcher government, many potential homeowners faced significant obstacles to accessing mortgage finance, which is necessary for many home purchases. The Thatcher government were aware that accessing mortgage finance could be a significant hindrance to many social tenants wishing to purchase their council homes, as social housing has been largely inhabited by those on the lower end of the wealth and income distribution scale in Britain (Heseltine, 1979; Scanlon and Whitehead, 2007). To guarantee social tenants would be able to exercise their statutory right to buy the council property they inhabited, legislation was also passed to provide a 'right to a mortgage', which ensured every council tenant was able to access mortgage finance to fund the purchase of their home (Gow, 1979; Heseltine, 1979). When the Thatcher government took office, access to private sources of mortgage finance was restrictive, and the 'right to a mortgage' was financially supported by local authorities, back-stopped by the central government (Balchin and Rhoden, 2002, 188). However, ministers within the Thatcher government were concerned about the additional costs to both local and central governments related to directly supporting mortgage provision, and it was preferred social tenants went to private lenders to obtain mortgage finance (Biffen, 1979).

Since the 1950s, the British financial sector had been subjected to a period of tight regulation, which structurally constrained the actions of financial institutions and resulted in conservative mortgage lending practices that limited access to private owner-occupied housing (Thompson, 1997; Gibb and Munro, 1999). In order to support the private homeownership market, the Thatcher government implemented a series of financial deregulation measures to widen access to private mortgage finance. In 1980, direct monetary controls were removed on banks, which encouraged them to enter the mainstream mortgage market dominated by building societies (Hasan and Taghavi, 2002). In the run-up to the Big Bang of 1986, the Financial Services Acts of 1983, 1984 and 1985 provided building societies with access to wholesale credit markets, which increased competition and led to the collapse of the building society interest rate cartel (Stephens, 1993, 161). The Financial Services Act of 1986 moved the government regulation of the financial

services sector towards a system of self-regulation, and it also allowed commercial banks to compete directly with building societies for mortgage loans. The Building Societies Act of 1986 increased the allowance of funds that could be derived from wholesale credit markets, which led to a significant increase in the pool of available mortgage credit (Stephens, 1993, 164). These deregulation measures significantly facilitated the increase in owner-occupied housing observed in Britain in the 1980s, and between 1979 and 1990, whilst Thatcher was in office, there was an approximate 650 per cent increase in mortgage debt, and mortgage debt as a share of GDP increased from approximately 24 per cent to 54 per cent (Wood, 2017, 832).

Rather than being considered an industrial or export-oriented state, Britain has been more closely associated with a finance-based accumulation regime based on debt-led economic growth (Stockhammer, 2008; 2016). During the 1980s, productivity in the British financial sector ‘grew more rapidly than that of the economy as a whole’ and the City of London is currently considered one of the most prominent sites of global finance (Bellringer, and Michie, 2014, 113; Seabrooke and Wigan, 2014; Lysandrou et al, 2017). Whilst Britain has been associated with a finance-based accumulation regime based on debt-led economic growth, mortgage credit has more concretely been identified as a mode of capital accumulation in the UK between 1979 and 2012 (Wood, 2017). Therefore, the positive ethics-oriented morality of private homeownership promoted by the Thatcher government that increased demand for owner-occupied housing, contributed to establishing mortgage credit as a key constituent part of the macroeconomic regime of Britain, which was a significant contributing factor to the 2007-2008 Global Financial Crisis (GFC) (Green and Lavery, 2017; Berry and Hay, 2016). It must be emphasised that ‘there is no evidence that the Conservative government under Mrs Thatcher intended to transform British banks into the dynamic sector of the British economy’ (Bellringer, and Michie, 2014, 132). Therefore, such a mortgage-led accumulation regime as observed in Britain, may simply be considered an externality from the Thatcher government’s desire to widen access to private housing.

### **The Rules-Oriented Morality of Mortgage Credit**

The previous sections demonstrated how the ethics-oriented morality of private homeownership promoted by the Thatcher government contributed to the establishment of mortgage credit as a significant part of the macroeconomic regime of capital accumulation in Britain. However,



mortgage credit has its own morality, as it contains features of subjectivation and rules-oriented disciplinary functions. Mortgage finance has been identified as a mode of behaviour regulation, as borrowers adjust their behaviour to meet the perceived requirements of the lender in order to qualify for access to credit (Langley, 2014). The conditionality of mortgage finance is not a one-off event, as the borrower's decision to engage with mortgage finance also exposes them to a series of rules-based disciplinary mechanisms for the entire duration of the loan, which is predominantly twenty-five years in Britain. As long as a mortgagor still owes a debt to the lender, the lender is the legal owner of the property in Britain, and the borrower may only be considered the legal owner once the mortgage balance has been paid in full (Horsham Properties Group Ltd v Clark. 2008). A borrower may only inhabit the property whilst the mortgage repayments are made in accordance with the lending agreement, and failure to make the payments in-line with the mortgage agreement will lead to a debt default, which has significant negative penalties for the borrower in Britain that are enforceable by law. For example, a mortgage default may result in the forcible removal of the borrower from the property, and a downgrade of their credit history, which can reduce the ability of the borrower to access credit in the future and may exclude them from rental accommodation, as well as certain employment roles. Therefore, taking on mortgage debt subjects the borrower to a specific rules-oriented morality, as deviating from the rules of their lending agreement, by failing to meet their mortgage payment responsibilities, would cause the individual to be expelled from the property. The rules-based morality of mortgage credit also has features of subjectivation, as defaulting would establish the individual as an irresponsible other, who has lost the positive understanding of themselves associated with the ethics-oriented morality of private homeownership promoted by the Thatcher government.

The deregulation of mortgage credit has contributed to the increase in house prices observed in Britain since 1979 (Watson, 2010; Hay, 2009, 2013). The observed wealth effects from increases to the asset value of the private owner-occupied home can facilitate the financial independence of the homeowner (Ong et al, 2013; Smith and Searle, 2008). Although the financial gains from private homeownership in Britain are non-ubiquitous, and are highly stratified along social, economic, demographic and geographical factors, the pecuniary gains from the home as a financial asset are a significant motivating factor for entering into homeownership, and are understood as a more reliable financial asset for retirement income in Britain than pensions (Montgomerie and Büdenbender, 2015; Schwartz, 2008; Haldane, quoted in Railton, 2016).

However, defaulting on a mortgage would see the borrower lose any rights to access any potential financial gains from homeownership, as it is the lender that owns the legal rights to the property whilst there is a lien against it. Furthermore, mortgage loans in Britain are recourse loans, which makes borrowers legally responsible for any negative equity losses incurred by the lender for up to six years after default (Aron and Muellbauer, 2010, 6). The most common reasons for defaulting on a mortgage in Britain are through the loss of employment or severely reduced earnings (Ford et al, 2010). However, the negative consequences of mortgage default are so severe that those facing reduced earnings have chosen to reduce expenditure on essential items, including food, to meet their mortgage repayment obligations (Stone, 2016). Therefore, as mortgage debt default carries significant social and economic losses the borrower would seek to avoid, taking out a mortgage may install a ‘mortgagor identity’ in borrowers, which disciplines them to reproduce their demand for employment to meet their obligations to the mortgage lender, which maintains the borrower’s physical access to the property, their positive understanding of themselves as a homeowner, as well as any unrealised material gains from the home as a financial asset (Li and White, 2009; Langley, 2007; Grey, 1997).

The observed increase in private homeownership, encouraged and overseen by the Thatcher government’s ethics-oriented morality, would have exposed the public to the subjectivities and rules-oriented disciplinary mechanisms of mortgage finance, all of which may have facilitated the incorporation of the public into the British variant of neoliberalism. The promotion of private housing in such positive terms by the Thatcher government contributed to the understanding of the poorest (or unsuccessful) in society being associated with social housing, whilst private homeowners were understood as the wealthiest (or successful) in society (Rowlands and Gurney, 2001). As Thatcher (1974a) emphasised the helplessness of the manual labourer in housing themselves without state intervention, low income households and working-class trade union members may be considered significant targets of the RTB policy. Therefore, the RTB programme and the deregulation of mortgage credit that enabled low-income social tenants to become private homeowners, allowed those previously excluded from the gains of liberal capitalism to understand themselves as playing an included and important role in British society, generating bottom-up support for Thatcher’s neoliberal policies. However, the vast majority of social tenants who purchased their home via the RTB programme would have relied on mortgage credit to do so, which would have exposed them to the rules-oriented disciplinary power of a potential mortgage

default, instilling a mortgagor identity in those previously used to dealing with lower-cost social rents, which would have to be adhered to for them to reproduce the newly-acquired positive understanding of themselves in terms of the tenure they occupied.

The effect of taking on mortgage credit on working-class social tenants was described by a senior figure from one of Britain's largest trade unions, who stated that, at the time the RTB policy was implemented, the trade union leadership believed there was an "element of social engineering in the drive to widen homeownership" in Britain, as the Thatcher government did not need "many focus groups to realise that if you were paying a mortgage then you'd be less likely to go on strike, or change jobs quite so often: you tend towards a little more caution, because you had to get that next mortgage payment" (Interviewee 2, 2015). This view was further supported in an interview with a cross-bench member of the House of Lords (Interviewee 2, 2016), who stated:

*the politics of how people viewed the individual voter's reaction to the [RTB] policy was that if you had a mortgage you had a stake in requiring a steady stable income. The kind of more casual, indeed carefree, way that you might behave as a trade union member if it was the rent that suffered, knowing that the council is unlikely to evict you, was different from owing a private mortgage company, a private building society or bank, a monthly sum. It was thought that you would be fearful of taking strike action, behaving badly, if you had commitments, which meant that if you didn't fulfil them would mean the loss of your home. I think that was how people at the time viewed the value to a stable society, if you like, to shifting to homeownership*

There is evidence the Thatcher government looked to change the behaviour of militant trade union members, whose strike action was becoming increasingly disruptive to the functioning of the British economy (Ridley, 1977; Clement, 2015). Subsequently, one could assume the Thatcher government intended to expose militant trade union members to the disciplinary mechanisms of mortgage finance hidden behind engaging with private homeownership to establish an orderly society. However, this was strongly denied by a former Conservative minister responsible for housing policy (Interviewee 3, 2016), and no evidence for such intentionality was found in the government archives, or from the Freedom of Information requests made to the British government.

Becoming a homeowner would have exposed trade union members to the disciplinary effects of mortgage credit, which would have provided an incentive to avoid participating in strike

action and shifted their preferences to maintain stable employment to meet their debt obligations. Taking on mortgage debt has also been identified as influencing political and economic preferences to favour a low taxation and low inflation environment that are hallmarks of British Neoliberalism (Schwartz, 2008; Kemeny, 2005; Castles, 2005; Hay, 2004). Therefore, the increased exposure to mortgage finance, via the widespread adoption of private housing, may have aligned new homeowner political and economic preferences to the paradigm of neoliberalism introduced by the Thatcher government. From an SRA perspective, the exposure to the moralities of private homeownership and mortgage credit may have contributed to the establishment of a functioning social formation sympathetic to the economic policies of neoliberalism out of a previously divided British society, which established and reproduced the conditions of capital accumulation based on mortgage credit. Therefore, the disciplinary mechanisms and subjectivities of mortgage finance may be considered a prime example of ‘how the macro-regime directly influences the micro-foundations of the economy and the outcomes we observe’, as they have contributed to developing a functioning social formation in Thatcher’s Neoliberalism that was reproduced by the New Labour governments (Blyth and Matthijs, 2017, 220).

## Conclusion

Mortgage and housing policies do not exist within a vacuum, as they interact with a broader set of economic, political and social contexts that can have significant effects on the individual (McKee, 2012). This analysis contributes to such research through the use of Foucault’s theory of morality, combined with Jessop’s SRA, to examine the subjectivities and disciplinary mechanisms surrounding homeownership and mortgage finance policies in Britain under Margaret Thatcher, whose privatisation of housing has been associated with the financialisation and neoliberalisation of the British economy. The results of this analysis suggest the Thatcher government’s discourse on housing tenures, which promoted private homeownership at the expense of social housing, constitutes an ethics-oriented morality. The RTB programme, and the discourse surrounding it, increased aspirational demand for private homeownership, which necessitated the deregulation of previously restrictive mortgage markets to widen access to owner-occupied housing, and contributed to the establishment of a mortgage-led accumulation regime in Britain that ultimately culminated in the GFC. The RTB programme and the deregulation of mortgage credit enabled

social tenants to become private homeowners, which allowed those previously excluded from the gains of capitalist society to understand themselves as playing an included and important role in Britain, generating bottom-up support for Thatcher's neoliberal policies. However, there are those who actively choose to be non-homeowners, and homeowners in Britain that do not vote Conservative (Burn-Murdoch, 2017). Therefore, the promotion of a positive ethics-oriented morality of homeownership cannot be reduced to a disciplinary structure that compels individuals to own their own home or shift political preferences (e.g. Gurney, 1999; Ginsburg, 1983).

Social tenants, who largely consisted of low income households and working-class trade union members, were reliant on mortgage credit to purchase their council property, which would have exposed them to a specific rules-based disciplinary morality with features of subjectivation, as defaulting on their mortgage carries significant social and economic losses they would seek to avoid. Purchasing a home would have exposed trade union members to the disciplinary effects of mortgage credit, which may have motivated them to avoid participating in strike action and shifted their preferences to maintain stable employment to meet their debt obligations. Additionally, taking on mortgage debt may have aligned political and economic preferences to be sympathetic to the policy paradigm of British neoliberalism introduced by the Thatcher government. Therefore, from an SRA perspective, the moralities of private homeownership and mortgage credit contributed to the establishment of a mortgage-led macro accumulation regime that influenced the micro-level of behaviour, which integrated the public into a functioning social formation under British neoliberalism, and were reproduced by the New Labour governments in power between 1997 and 2010. Although no evidence was found to demonstrate any intentionality on behalf of the Thatcher government to expose workers to the disciplinary mechanisms of mortgage finance as a disincentive to strike, this may be because the RTB has been a Conservative policy since 1945 (Davies, 2013). Therefore, a future research project could investigate whether the Conservative party has historically sought to use mortgage finance as a mechanism to discipline disruptive trade union members.

The strong preference for owner-occupied housing in contemporary Britain remains a legacy of Thatcher's ethics-oriented morality, but as homeownership has become increasingly unaffordable many potential home-buyers have been forced into the private rental sector, which may have negative connotations for the understandings of the self. Alternatively, the increasing difficulty in accessing private housing in Britain could potentially normalise non-ownership

housing tenures, which may have positive effects for non-homeowners, especially if excluded from the disciplinary mechanisms of mortgage finance. Such a potential dichotomy may be examined as a future area of research, and could be analysed based on the use of qualitative longitudinal survey data. Furthermore, although this paper has examined the commodification of housing in Britain under the Thatcher government, as well as its links to the financialisation and neoliberalisation of the British economy, these processes are widely prevalent in other countries. Therefore, the theoretical and methodological framework of this paper could be applied in an international context to examine the integrating role of housing in other countries as part of their processes of financialisation and neoliberalisation. Further insights could be gained using a comparative political economy analysis based on the Varieties of Residential Capitalism approach (e.g. Schwartz and Seabrooke, 2008) or the alternative set of financialised housing typologies more recently put forward by Aalbers and Fernandez (2016). Such a comparative analysis could highlight areas of convergence and divergence between national-level housing and mortgage systems, developing the understanding of the role of private housing in emerging economies with high rates of homeownership, such as the post-socialist countries in Central and Eastern Europe, as well as other advanced economies that have seen a more recent increase in levels of homeownership, such as France or Sweden (Bouyon, 2015).

**Total Word Count: 8,171**

## **Interviewees**

- Interviewee 1: Senior Policy Officer at a British Trade Union; interviewed in London, 11 December 2015.
- Interviewee 2: Cross-Bench Member of the House of Lords; interviewed in London, 10 March 2016
- Interviewee 3: Former Conservative Member of Parliament and Minister responsible for housing policy; interviewed in London, 14 January, 2016.

## **Archive sources**

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- Churchill Archives Centre, Churchill College, Cambridge, the Papers of Baroness Thatcher (THCR) (2/6/1/37)
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- National Archives, Prime Minister's Private Office Papers (PREM 19/25)
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- National Archives, Prime Minister's Private Office Papers (PREM 19/256)
- National Archives, Prime Minister's Private Office Papers (PREM 19/1005)
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- National Archives, Prime Minister's Private Office Papers (PREM 19/1334)
- National Archives, Prime Minister's Private Office Papers (PREM 19/1461)
- National Archives, Prime Minister's Private Office Papers (PREM 19/1711)
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- Royal Holloway Archives, Alfred Sherman papers (Box 13)

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